

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00  
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PASS EXIM

E.O. 11652: N/A  
TAGS: EAIR, YO  
SUBJECT: PAN ADRIA'S PROBLEMS CONTINUE

REF: 77 ZAGREB 408

1. THE LATEST IN A SERIES OF PERIODIC (AND BY NOW ROUTINE)  
FINANCIAL CRISES AFFECTING CROATIA'S SMALL FEEDER AIRLINE PAN  
ADRIA APPEARS TO BE COMING TO A HEAD. PAN ADRIA HAS EXPERIENCED  
CONTINUED PERSONNEL, MAINTENANCE, AND EQUIPMENT PROBLEMS FOL-  
LOWING THE RESUMPTION OF FLIGHT OPERATIONS LAST SPRING (REFTEL).  
IN A MEETING WITH COMPANY OFFICIALS, CONGEN OFFICER WAS TOLD THAT  
PAN ADRIA'S DIRECTOR HAS RESIGNED, TWO OF THE FIVE F-227'S ARE  
OUT OF SERVICE (ONE PERMANENTLY) BECAUSE OF ACCIDENTS, AND SPARE  
PARTS PROBLEMS AND LOW FARE STRUCTURE DOOM REMAINING PLANES TO  
OPERATION WITH PERMANENT LOSSES.

2. PAN ADRIA OFFICIALS SAID THAT THE AIRLINE'S FUTURE IS NOW  
UNDER REVIEW (AGAIN) BY THE CROATIAN GOVERNMENT WHICH IS CUR-  
RENTLY SUBSIDIZING ITS LOSSES. PENDING THE OUTCOME OF THIS RE-  
VIEW, PAN ADRIA HAS SUSPENDED ITS EFFORTS TO FIND REPLACEMENT  
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FOR ONE OF THE F-227'S WHICH WAS DAMAGED BEYOND REPAIR IN RUNWAY  
ACCIDENT LAST YEAR. PAN ADRIA HAD BEEN CLOSE TO CONCLUDING A  
DEAL IN WHICH INSURANCE MONEY WOULD HAVE BEEN USED TO PURCHASE A  
USED F-227 FROM ALLEGHENY AIRLINES. HOWEVER, COMPANY OFFICIALS  
NOW EXPRESS SOME DOUBT THAT, IN VIEW OF CHRONIC SPARE PARTS  
PROBLEM, REPLACEMENT F-227 WILL EVER BE PURCHASED, ALTHOUGH  
INSURANCE MONEY IS STILL BEING HELD IN BANK ACCOUNT. THEY HOPE

THAT CURRENT GOVERNMENTAL REVIEW WILL RESULT IN A SUBSTANTIAL INCREASE IN THE REPUBLIC'S BACKING FOR PAN ADRIA TO ENABLE THE PURCHASE OF NEW EQUIPMENT, DC-9'S OR B-737'S, TO FLY ON MORE PROFITABLE FOREIGN CHARTER ROUTES. THEY BELIEVE THAT CURRENT FLEET OF F-227'S OR ANY SUBSTITUTE TURBO-PROP PLANES COULD NOT BE SUCCESSFULLY EMPLOYED IN FOREIGN CHARTER BUSINESS.

3. COMMENT: PAN ADRIA'S TROUBLES ARE HARDLY NEW AND COMPANY OFFICIALS HAVE FREQUENTLY EXPRESSED THE HOPE THAT STRONGER GOVERNMENT SUPPORT WOULD ENABLE THEM TO PURCHASE NEW EQUIPMENT AND EXPAND OUT OF THE LOW FARE DOMESTIC MARKET. UNTIL NOW THE CROATIAN GOVERNMENT HAS BEEN UNWILLING TO GO BEYOND PATCHWORK LOANS AND SUBSIDIES. CLEARLY, THERE IS A STRONG SENTIMENT THAT SOME KIND OF CROATIAN AIRLINE SHOULD EXIST. (TWO REPUBLICS ALREADY HAVE AIRLINES, WHILE OTHERS ARE CONSIDERING THEIR ESTABLISHMENT.) IT REMAINS TO BE SEEN IF THE CURRENT PROBLEMS MOVE THE CROATIAN GOVERNMENT TO SUPPORT A MAJOR EXPANSION PROGRAM AT A TIME WHEN MANY OTHER PROJECTS ARE COMPETING FOR THE REPUBLIC'S LIMITED INVESTMENT RESOURCES. KAISER

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## Message Attributes

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